

Labour Market Notes

Employment growth in Alberta takes a breather

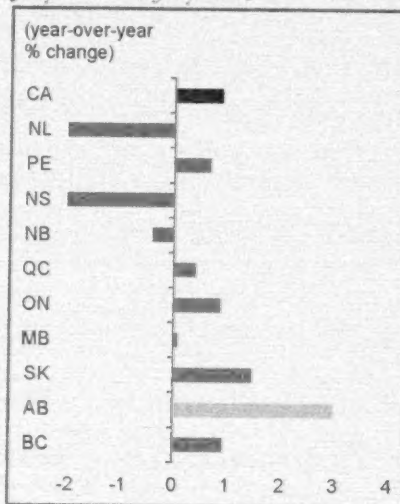
Alberta

- ♦ Job creation pauses. Alberta employment fell slightly by 1,500 jobs in July, after exceptionally strong gains in the first half of 2014.
- ♦ Full-time and public sector employment drop. The part-time jobs added (+9,000) were not enough to offset the decline in full-time jobs (-10,400). The public sector shed 1,700 jobs and self-employment also fell by 5,200 jobs. In contrast, the private sector added 5,400. Year-to-date, the private sector has added 48,200 jobs, and 26,600 full-time jobs have been added.
- ♦ Year-over-year job growth leads all provinces. Alberta has 66,100 more jobs (+3.0%) than in July 2013. Alberta's year-over-year job growth has outpaced the other provinces by a large margin.
- ♦ Unemployment rate falls. Alberta's unemployment rate decreased by 0.2 percentage points to 4.7% in July. The decrease in unemployment was the result of fewer people looking for work.
- ♦ Goods sector job creation slips. The goods-producing industries lost jobs (-12,300) in July. The drop was precipitated by a fall in construction jobs (-16,000), which more than offset the 8,000 job increase in manufacturing. The service-producing industries gained 10,800 jobs in July, with trade adding 14,300 jobs while transportation and warehousing lost 5,400.
- ♦ Average weekly earnings continues to climb. Average weekly earnings rose to \$1,151 in May, a 3.1% year-over-year increase.

Canada

- ♦ Job growth jump-started. Employment in Canada increased by 41,700 in July after shedding jobs in June. This is the largest gain since March. All gains came from part-time (+59,900) work, while a 46,000 surge in Ontario education services employment added significantly to the headline number. The private sector (+54,600) and public sector (+24,200) added jobs, while self-employment fell by 37,000. Over the past 12 months, Canada has added 156,800 jobs, amounting to 0.9% growth.
- ♦ Unemployment rate drops slightly. The Canadian unemployment rate was 7.0% in July, down 0.1 percentage points from June. The dip was the result of more jobs created than people joining the labour force.
- ♦ Average weekly earnings rise. Canadian average weekly earnings were \$937 in May, a 0.6% increase from April and 2.6% higher than May 2013.

Employment Growth by Province, July 2014 vs. July 2013



Source: Statistics Canada

Alberta Labour Market Indicators

Indicator	Latest*
Employment	2,282,600
month-over-month change	-1,500
year-over-year % change	3.0%
Alberta Unemployment Rate (UR)	4.7%
Edmonton UR**	5.5%
Calgary UR**	5.3%
Participation Rate	72.8%
Average Weekly Earnings (AWE)	\$1,150.61
year-over-year % change	3.1%
Average Hourly Wage	\$28.06
year-over-year % change	3.5%
Job Vacancy Rate**	2.4%

Source: Statistics Canada

* All data is from the Labour Force Survey for July except AWE, which is from the May Survey of Employment, Payrolls and Hours (SEPH), and the job vacancy rate is for April.

** This indicator is calculated as a three-month moving average and is not seasonally adjusted.

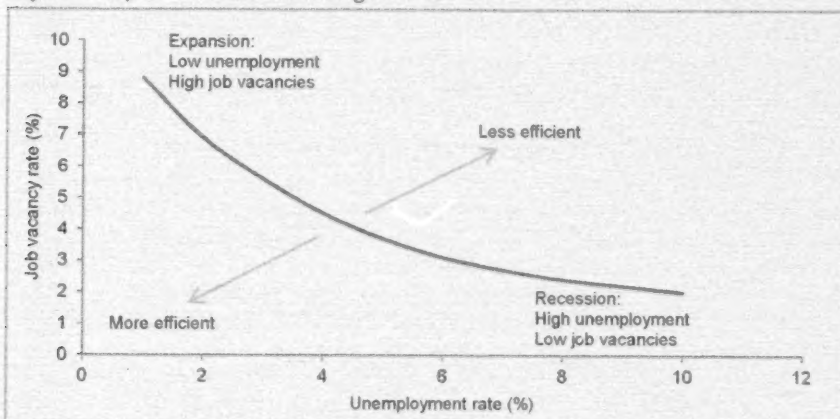
A useful gauge of labour market conditions

The Beveridge curve, also referred to as the UV-curve, is a useful tool for analyzing labour markets. The position and the points on the curve reflect the state of the economy, labour tightness and labour market efficiency. This month's *Labour InSight* explores the theory behind the Beveridge curve and adds some Canadian context.

The Beveridge curve: A short history

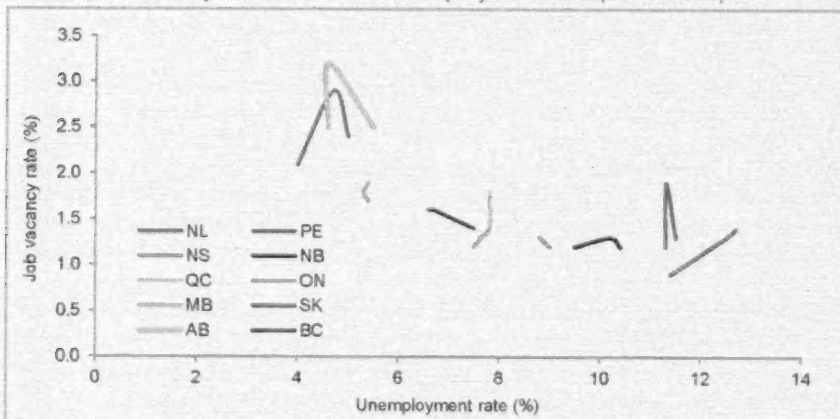
To determine labour market tightness, the Beveridge curve looks at the relationship between the unemployment rate and the job vacancy rate. William Beveridge first introduced the relationship in the mid-twentieth century to explain how far the economy was from "full employment". His work is the foundation of research in labour market efficiency.

Chart 1: The Beveridge Curve
Stylized depiction of the Beveridge curve



Source: Alberta Treasury Board and Finance

Chart 2: Canadian provinces together form a Beveridge curve shape
Annual job vacancy rate versus the unemployment rate (2011-2013)



Source: Statistics Canada

What can it tell us?

The Beveridge curve depicts a negative relationship between the job vacancy rate and the unemployment rate, with unemployment increasing as job vacancies decrease. A point on the curve signifies an economy's position in the business cycle, with a low unemployment rate and a high job vacancy rate signifying an economy in expansion, and the reverse a recession (Chart 1). The location of the Beveridge curve reflects labour market efficiency. A curve closer to the origin suggests the labour market is better at pairing workers with jobs, as there are both lower job vacancies and unemployed workers. Skills mismatch, an aging population or geographical discrepancies between workers and jobs, can also affect market efficiency, and in turn the position of the Beveridge curve.

The Canadian context

A comparison of the provinces reveals a shape similar to the Beveridge curve (Chart 2). Generally, the provinces with higher growth are located on the top left and the ones with less growth are located towards the bottom right, reflecting the theory of the Beveridge curve. With high job vacancies and low unemployment, Alberta falls at the top left, a sign of a fast-growing economy.

Summary

The Beveridge curve is a useful tool in assessing the state of a labour market as the location and movements of the curve can reflect economic conditions and labour market efficiency. Currently, there is little Canadian job vacancy data available; however, Statistics Canada announced a new series on job vacancies which will be available to provide a more complete picture in the future.

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